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CONSOLIDATED
RAMBLER
MINES
LIMITED

ANNUAL
REPORT

FOR THE YEAR ENDED
DECEMBER 31

1973

CONSOLIDATED RAMBLER MINES LIMITED

DIRECTORS

R. S. HAFLIDSON North Bay, Ontario
G. KERLIN New York, U.S.A.
A. G. KIRKLAND Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
G. F. PUSHIE St. John's, Newfoundland
L. MCC. RITCHIE Saint John, New Brunswick

OFFICERS

R. S. HAFLIDSON *President*
L. MCC. RITCHIE *Vice-President*
A. G. KIRKLAND *Vice-President*
D. A. MACFARLANE *Secretary and Treasurer*
MRS. M. JONES *Assistant Secretary*

EXECUTIVE OFFICE

FIFTH FLOOR, GOLDEN BALL BLDG. Saint John, N.B.

MINE OFFICE

BAIE VERTE Newfoundland

AUDITORS

COOPERS & LYBRAND Saint John, N.B.

TRANSFER AGENT and REGISTRAR

GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors are pleased to submit this report covering your Company's operations for the year 1973, along with the audited financial statements.

Earnings during the year were the best in the Company's history, operating profit amounting to \$6,647,325 and net profit \$3,431,230 (\$1.15 per share), as compared with \$2,136,140 and \$ 761,884 for 1972. These earnings gains were primarily due to increased prices received for copper. Also, the estimated amounts receivable for metal production were adjusted upward on a basis of 85-cent copper in order to relate metals inventory more closely with prices in effect at year-end. As stated in the notes to financial statements, the above earnings are based on applications for tax-free periods for both the Ming Mine and the East Mine being approved.

Both tonnage milled and copper production during the year were down from 1972, mainly due to the suspension of operations at the East Mine. Some of the difference was made up by increased tonnage from the Ming Mine resulting in better overall grade but this was not sufficient to overcome the results of the East Mine curtailment. Also, metallurgical difficulties related to bursts of high heads from the Ming Mine had the effect of both confining the attainable treatment rate and depressing copper recoveries.

Ore reserves were increased during the year, reflecting the success of the deep drilling program on the Ming orebody, which established continuity of the zone from the 800-foot horizon to the boundary at 1600 feet, adding some 700,000 tons to Ming reserves as well as confirming the necessity and urgency of the Boundary shaft program.

Efforts to increase reserves at the East Mine were not as successful despite extensive drifting and drilling on both the Rambler and the East Extension properties. This disappointment, along with the loss of some old pillar tonnage, resulted in serious deterioration of the East zone reserves, putting the continuity of the East operation under question.

Upon completion of the surface drilling program on the Ming zone, one drill was retained for the purpose of checking other targets on the Rambler property, and while sulphide mineralization was encountered in some holes, no intersections of economic significance were obtained.

The two groups of claims known as the "Ming Extension" and the "East Extension" were retained in good standing under the option agreement and the Company has advised of its intent to proceed at least until July 1st., 1974 on both groups.

With the abandonment of the Concession system in some areas by the Newfoundland government and the consequent availability of new ground in some sections of the province, it is expected that surface exploration by your Company will be expanded to include other properties of promise as well as geologically favourable areas in the vicinity of Baie Verte.

In addition to the main task of maintaining copper production at high levels, important objectives during the year ahead will be first, to exhaust all new ore possibilities at the East Mine, second to continue the shaft sinking program at the Boundary shaft, third to complete the concentrator improvements presently underway, and to maintain an aggressive surface exploration program both on the Rambler property and other areas of interest.

Again your Directors wish to express their commendation and thanks to Mr. Maurice McKee, Mine Manager, his staff and all employees for their industry, perseverance and loyalty during a progressive and challenging year.

On January 3, 1974, Mr. Philip J. Dunlay, a Director of the Company succumbed to a serious illness. It is with much regret we advise the shareholders of Mr. Dunlay's death. To fill this vacancy, Mr. A. G. Kirkland of Saint John, N.B. was appointed a director of the Company.

On behalf of the Board,

R. S. HAFLIDSON,
President.

May 2, 1974

MINE MANAGER'S REPORT

March 5, 1974

President and Directors
Consolidated Rambler Mines Limited

Dear Sirs:

The following is a report of operations at your property for the year ended December 31, 1973.

Overall Production	1973	1972
Ore Milled - Tons	292,011	386,205
Average Per Calendar Day	800	1,058
Grade % Copper	2.44	1.84
Percent Time Mill Operated	95.8	94.5
Copper Recovery %	87.9	97.8
Concentrates Produced - Tons	25,684	30,058
Copper Recovered - Pounds (Net)	12,023,768	13,264,319
Gold Recovered - Ounces (Net)	9,158	10,850
Silver Recovered - Ounces (Net)	73,250	83,053
Overall Operating Costs	1973	1972
Development	2.16	1.59
Mining	4.74	3.57
Milling	2.85	2.05
Exploration74	.10
Mine General and Administration	1.68	1.21
	<hr/> \$12.17	<hr/> \$ 8.52

Ore Reserves

	Ming Mine		East Mine		Total Reserves	
As at January 1	1974*	1973	1974**	1973	1974	1973
Vertical Depth	1,600'	800'	1,190'	1,300'		
Reserves Tons	1,425,776***	713,226	83,000	302,589	1,508,776	1,015,815
Grade % Copper	2.57	2.92	1.26	0.98	2.50	2.34
Grade Ounces Gold	0.08	0.09	—	—	0.07	0.06
Grade Ounces Silver	0.56	0.65	—	—	0.53	0.46

***Ming Mine reserves include a waste section of 158,879 tons @ 0.25% Cu which, if mining methods permit leaving in place, would change Ming reserves to 1,266,897 tons @ 2.86% Cu.

* Ming Mine reserves represent reasonably assured tonnages to 1600 feet vertically (approximate boundary horizon). Intersections in holes 171 and 176 indicate continuity of the zone down dip beyond this depth, but due to lack of definition drilling, no tonnage allowances were made.

** East Mine reserves indicated a loss during the year over and above the tonnage mined, as detailed diamond drilling below the 1100 Level indicates a considerably narrower ore zone, and some ore pillars on the 850, 725 and 600 Levels, included in 1973 reserves, proved to be unrecoverable and have been removed from reserves.

MINING

Ming Mine

Production from the Ming Mine was steady throughout the year, with the bulk of tonnage coming from between the 220 Level and 400 Level horizons. Emphasis was placed on development of more levels (and stopes) in order to ease severe grade fluctuations and also to help maintain current production rates up the Main Ramp until the Boundary Shaft is completed early 1975.

At year end the 550 and 650 Levels were developed to the ore and the Main Ramp was at the 750 Level.

The presence of waste dykes, along with minor faulting in the ore zone, has necessitated considerable additional underground diamond drilling and development in order to properly delineate zones for mining.

	1973	1972
Ming Mine Production		
Ore Milled - Tons	210,375	181,753
Average/Calendar Day	576	496
Grade % Copper	3.05	2.79
Concentrates - Tons	22,866	20,637
Copper Recovered - Pounds (Net)	10,752,541	9,274,776
Gold Recovered - Ounces (Net)	9,158	10,566
Silver Recovered - Ounces (Net)	73,250	83,053
Ming Mine Development (feet)	1973	1972
Main Ramp Advance	2,054'	1,153'
Drifting and Crosscutting	5,449'	5,102'
Raising	1,129'	478'
Diamond Drilling - Surface	27,473'	7,118'
Diamond Drilling - Underground	8,923'	3,616'
Ming Mine Operating Cost - \$ Per Ton	1973	1972
Development	2.09	2.41
Mining	4.64	3.29
Milling	2.98	2.17
Exploration54	.17
Mine General and Administration	1.68	1.21
	<u>\$11.93</u>	<u>\$ 9.25</u>

Ming Mine Exploration

The program to define Ming Mine ore limits down dip and along strike, mentioned in last year's report, was continued with 27,473 feet of diamond drilling done during 1973. This drilling extended the Ming Mine drill-indicated reserves to the Ming Mine Extension Boundary, adding appreciably to the Ming reserves and indicating continued mining operations to 1600 feet.

In order to provide access and mining continuity at the deeper horizons, a new shaft (called the Boundary Shaft) was collared on Rambler ground near the Ming Extension Boundary.

This shaft will service the Ming Mine from the Boundary (1600 foot horizon) to the 800 foot horizon, and will also provide access to explore the Ming Ore Zone on the Extension side.

East Mine

Ground conditions forced abandonment of proposals to salvage some pillars on the upper levels of the East Mine, and this reduction in working places seriously affected production schedules. The East Mine averaged approximately 300 tons per day until September when production was temporarily suspended to permit development of remaining ore below the 1000 foot level, and to expedite an exploration program to assess ore potential at deeper horizons.

The Main Decline was extended 527 feet downward towards developing remaining reserves, while a series of drifts were driven north and south from the 10-05 Exploration X-C, to provide drilling stations to assess ore potential at depth.

	1973	1972
East Mine Production		
Ore Milled - Tons	81,636	204,450
Average Per Calendar Day	224	562
Grade % Copper	0.92	0.98
Concentrates - Tons	2,818	9,421
Copper Recovered - Pounds (Net)	1,271,227	3,989,543
Gold Recovered - Ounces (Net)	—	284
Silver Recovered - Ounces (Net)	—	—
East Mine Development (feet)	1973	1972
10-70 Ramp Advance	527'	—
Drifting and Crosscutting	3,091'	3,605'
Raising	586'	1,331'
Longhole Drilling	26,914'	95,717'
Diamond Drilling	17,424*	1,926'

* Includes 15,688 feet dia. drilling on East Mine Extension.

	1973	1972
East Mine Operating Costs - \$ Per Ton		
Development	2.36	.87
Mining	5.00	3.80
Milling	2.51	1.92
Exploration	1.26	0.03
Mine General and Administration	1.68	1.21
	<u>\$12.81</u>	<u>\$ 7.83</u>

East Mine Exploration

The 10-34 Exploration Drift was driven from the 10-05 Exploration X-C in a southerly direction across the East Mine Extension, and 15,688 feet of diamond drilling completed to probe the area down-plunge from previous "AC" intersections from surface. This drilling failed to provide any intersections of significance.

Diamond drilling from drifts north of the 10-05 Exploration Drifts, designed to probe the downward extension of the Main East Mine orebody, has been disappointing to date, generally returning narrower intersections than were formerly indicated.

The 10-08 Exploration Drift is presently being driven in a southerly direction directly over an area previously drilled from surface which indicated the possibility of ore at depths below 1000 feet south of the East Zone.

Milling

Metallurgical problems were experienced late in the year as high and erratic mill heads from the Ming Mine became increasingly difficult to control. This effect became more pronounced as the percentage of East Mine ore decreased and copper recoveries deteriorated until late November.

Circuit changes, involving installation of additional flotation capacity and a revision of flow-sheet, were initiated in November and should be completed and operational early 1974.

Rambler Exploration

Surface exploration was confined mainly to the investigation of several areas previously defined by airborne and ground geophysical with geochemical follow-up or areas favoured by a structural analysis and correlation of data on the known ore zones within Consolidated Rambler Mines Property Boundaries.

A total of 24,259 feet of diamond drilling was done as follow-up on the C Grid and G Grid anomalies and drilling along-strike north and south of the Ming Mine. No intersections of economic significance were encountered.

Boundary Shaft

Plans for a 3 compartment shaft were finalized and a site selected on Rambler ground near the Ming Mine Extension Boundary.

Construction of access road, power supply and installation of air and water services began mid summer, followed by site preparations and excavations with foundations and the shaft collar poured before freeze-up.

A 100 foot timber headframe was constructed complete with rock-bin and shafthouse and a combination dry-machine shop-hoistroom, complete with a 100" x 48" double drum mine hoist, was installed. Actual shaft sinking operations began in late December and will continue through 1974.

Construction and New Equipment Additions

In addition to construction work at the Boundary Shaft, an extension to the Ming Mine Garage was underway and a new 30 ton truck weighing Station was almost complete at year end.

The power supply from the Main Mine to the Ming Mine was upgraded from 2400 volts to 22,000 volt transmission to serve Ming Mine requirements and the Boundary Shaft.

Major equipment additions were three J.D.T. 413 underground haulage trucks and one J.U.T. 43 mine service vehicle, to increase haulage efficiency. Other additions were various ventilation, heating, pumping and drilling equipment required to maintain production and development.

General

The higher unit operating costs are a direct reflection of a lower tonnage milled (divisor), while development footage and diamond drilling were increased, as well as sharp increases in costs of supplies.

Labour supply was adequate, although a shortage of skilled miners is beginning to develop with the general re-opening of mines across the country.

No serious work stoppages evolved and labour relations continued favourable.

It is again a pleasure to acknowledge the efficient work and loyal services of the Staff and Employees, as well as the support and co-operation of the Officers and Directors of the Company.

Respectfully submitted,

CONSOLIDATED RAMBLER MINES LIMITED

Maurice McKee, B.A.Sc., P.Eng.

Mine Manager

Balance Sheet

ASSETS

	1973 \$	1972 \$
CURRENT ASSETS		
Cash and short-term deposits	1,811,549	256,753
Net estimated amount receivable from sale of mineral concentrates	4,910,915	1,590,140
Accounts receivable	48,062	25,309
Prepaid expenses	81,487	71,936
	<u>6,852,013</u>	<u>1,944,138</u>
FIXED ASSETS		
Mining lease and land — at cost (note 1)	227,554	227,554
Buildings, surface structures and equipment — at cost less accumulated depreciation of \$3,018,017; (1972 — \$2,497,735)	2,434,036	2,018,160
	<u>2,661,590</u>	<u>2,245,714</u>
DEFERRED EXPENDITURES		
Mine development expense — at cost less accumulated amortization of \$2,835,731 (1972 — \$2,593,731)	391,643	373,349
Expenditures on properties under option — at cost (note 2)	210,462	61,982
Materials and supplies — at cost	630,759	516,161
	<u>1,232,864</u>	<u>951,492</u>
	<u>10,746,467</u>	<u>5,141,344</u>

Signed on behalf of the Board

R. S. HAFLIDSON, Director

D. A. MACFARLANE, Director

AMBLER MINES LIMITED

December 31, 1973

LIABILITIES

	1973 \$	1972 \$
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,112,866	657,566
Accrual under lease agreement (note 3)	1,615,000	40,000
6¾% mortgage	18,003	19,410
	<u>2,745,869</u>	<u>716,976</u>
PROVISION FOR DEFERRED AMOUNT UNDER MINING AGREEMENTS (note 4)	<u>942,000</u>	<u>797,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized —		
5,000,000 shares of \$1 par value		
Issued —		
2,980,006 shares	2,980,006	2,980,006
Less: Discount thereon	965,000	965,000
	<u>2,015,006</u>	<u>2,015,006</u>
CONTRIBUTED SURPLUS	14,625	14,625
RETAINED EARNINGS	<u>5,028,967</u>	<u>1,597,737</u>
	<u>7,058,598</u>	<u>3,627,368</u>
	<u>10,746,467</u>	<u>5,141,344</u>

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Earnings

For the year ended December 31, 1973

	1973 \$	1972 \$
INCOME		
Concentrate production	12,428,805	7,097,475
Less: Marketing expenses	2,199,733	1,678,154
	<u>10,229,072</u>	<u>5,419,321</u>
OPERATING EXPENSES	3,581,747	3,283,181
EARNINGS ON OPERATIONS BEFORE THE UNDERNOTED ITEMS	<u>6,647,325</u>	<u>2,136,140</u>
Depreciation of fixed assets	545,000	452,000
Amortization of mine development expenses	242,000	254,000
Surface exploration	256,989	67,072
Mining tax	290,000	68,000
Rent (note 3)	1,575,000	40,000
Interest on advances and bank loans	162,106	143,184
	<u>3,071,095</u>	<u>1,024,256</u>
EARNINGS ON OPERATIONS	3,576,230	1,111,884
PROVISION FOR DEFERRED AMOUNT UNDER MINING AGREEMENTS (note 4)	145,000	350,000
NET EARNINGS FOR THE YEAR	<u>3,431,230</u>	<u>761,884</u>
EARNINGS PER SHARE	<u>1.15</u>	<u>.25</u>

Statement of Source and Use of Working Capital

For the year ended December 31, 1973

	1973 \$	1972 \$
SOURCE OF WORKING CAPITAL		
From operations	<u>4,377,306</u>	<u>1,817,884</u>
USE OF WORKING CAPITAL		
Additions to buildings and equipment	974,952	254,260
Increase in mine development expenses	408,774	61,982
Increase in materials and supplies	114,598	46,676
	<u>1,498,324</u>	<u>362,918</u>
INCREASE IN WORKING CAPITAL	2,878,982	1,454,966
WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR	1,227,162	(227,804)
WORKING CAPITAL — END OF YEAR	<u>4,106,144</u>	<u>1,227,162</u>

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Retained Earnings

For the year ended December 31, 1973

	1973 \$	1972 \$
RETAINED EARNINGS — BEGINNING OF YEAR		
As previously reported	2,394,737	1,427,985
	<hr/>	<hr/>
Reversal of deferred income tax charges set up in prior years	—	145,132
Adjustment for deferred amount under mining agreements (note 4)	797,000	447,000
	<hr/>	<hr/>
As restated	797,000	592,132
	<hr/>	<hr/>
NET EARNINGS FOR THE YEAR	1,597,737	835,853
RETAINED EARNINGS — END OF YEAR	3,431,230	761,884
	<hr/>	<hr/>
	5,028,967	1,597,737
	<hr/>	<hr/>

CONSOLIDATED RAMBLER MINES LIMITED

Notes to Financial Statements

For the year ended December 31, 1973

1. MINING LEASE

The mining lease granted by the Province of Newfoundland is for a term of 30 years from February 1, 1961 and is renewable for two additional terms of 30 years each.

2. PARTICIPATION AGREEMENT

There is a participation agreement outstanding between the company, the Carroll Prospector Group ("Carroll") and Advocate Mines Limited ("Advocate") under which the company has the option to explore and, if feasible, develop two groups of mining claims adjoining the company's property. The agreement requires the company to spend \$150,000 in the first year, \$100,000 per group in the second year ending July 1, 1974 and \$150,000 in the following year. The company has elected to proceed into the second year.

Should a commercially feasible orebody be found and developed, the company agrees to pay 10% of the profits therefrom (calculated in accordance with the terms of the agreement) to Carroll and Advocate until its preproduction costs have been recovered, following which 55% of the profits will be paid to Carroll and Advocate.

3. ACCRUAL UNDER LEASE AGREEMENT

The company is required to pay as rentals under the mining lease referred to in note 1, a stipulated proportion of the cumulative excesses of receipts from mine operations over expenditures in connection therewith, including amounts expended for fixed assets and other deferred costs. To December 31, 1973 expenditures have exceeded receipts and no rentals are payable. Payment of rentals may be further deferred in the future to the extent that expenditures for fixed assets and other deferred costs exceed operating income determined on a cash basis. The company has accrued rentals which may be payable in the future on the basis of operating income (determined on an accrual basis) before depreciation and amortization, less reductions resulting from fixed assets and development expenditures to date. On this basis, \$1,615,000 is shown as an accrual at December 31, 1973, made up of \$1,575,000 relating to the year 1973 and \$40,000 relating to 1972.

4. PROVISION FOR DEFERRED AMOUNT UNDER MINING AGREEMENTS

Commencing in 1973, the company recorded a provision for deferred amounts under mining agreements relating to timing differences in amounts deducted to determine income from its operations and those used to determine income declared under these agreements. The year 1972 and prior years have been adjusted to conform with this accounting practice resulting in a reduction in earnings of \$350,000 for 1972 and a reduction of retained earnings of \$447,000 for prior years.

5. INCOME TAXES

The company has applied for a tax-free period under applicable income tax legislation for its East Mine for the years 1968, 1969 and 1970 and for its Ming Mine for the years 1972 and 1973. The company believes that these applications should be approved. If the applications are not approved, additional income taxes of approximately \$1,120,000 would be exigible of which approximately \$1,040,000 (35c per share) would be applicable to the current year and \$80,000 (3c per share) applicable to 1972.

A recent decision of the Federal Court of Appeal (presently under appeal in the Supreme Court of Canada) raises the possibility of a material reduction in the amount of income to which the exemptions referred to in the preceding paragraph might apply. There is no satisfactory precedent upon which to base an estimate of the amount of income taxes, if any, which might thereby become payable.

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with presentation adopted in 1973.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Total direct remuneration paid during 1973 to directors was \$3,700 and to senior officers (as defined in the Ontario Business Corporations Act to include the five highest paid employees of the corporation) was \$110,499.

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
SAINT JOHN, N. B.

TO THE SHAREHOLDERS OF
CONSOLIDATED RAMBLER MINES LIMITED,
Toronto, Ontario.

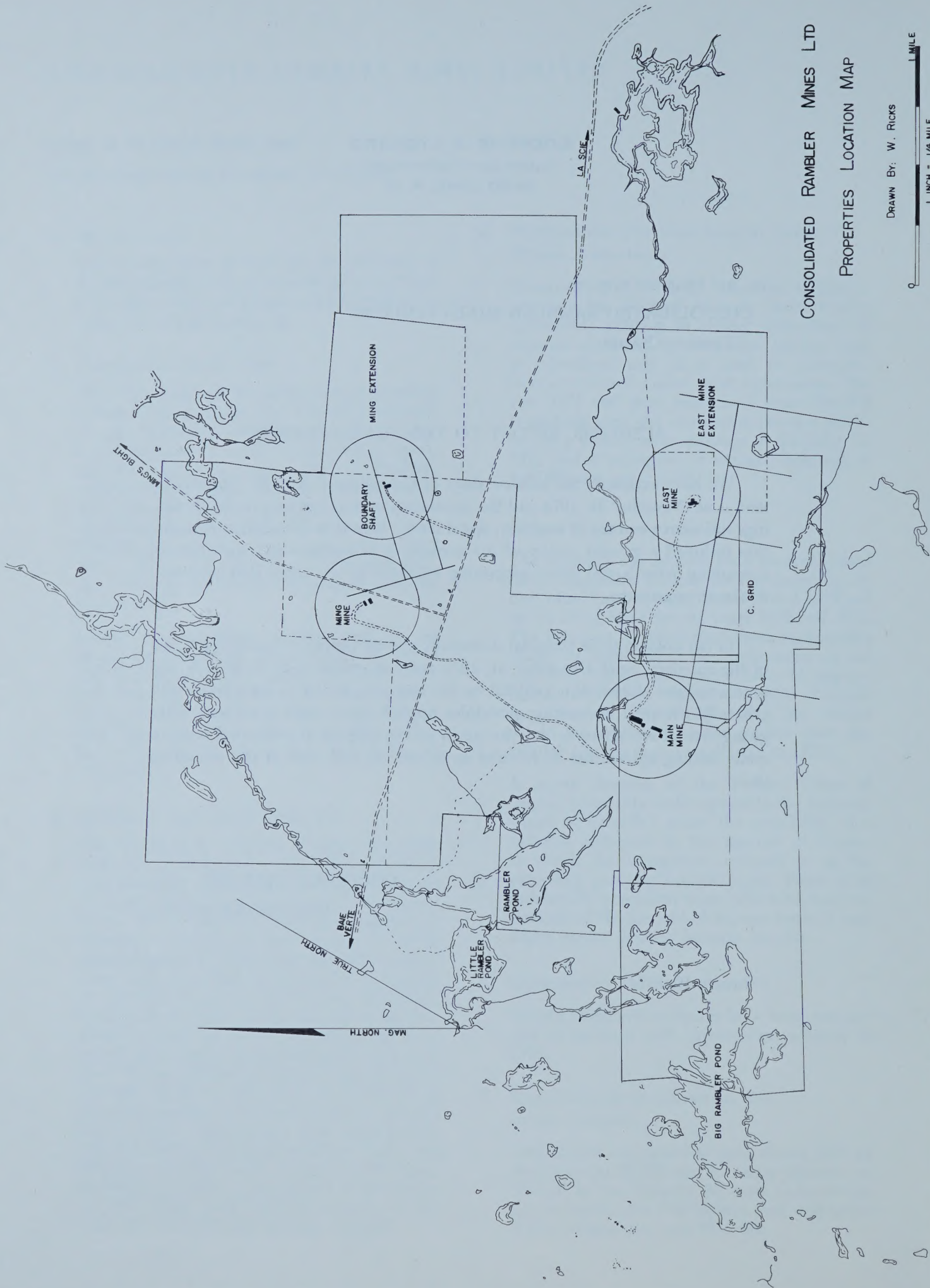
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Consolidated Rambler Mines Limited as at December 31, 1973 and the statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent, after giving retroactive effect to the change in accounting for the deferred amount under mining agreements as referred to in note 4, with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants.

February 19, 1974



CONSOLIDATED RAMBLER MINES LTD
PROPERTIES LOCATION MAP

DRAWN BY: W. RICKS

